GOOD FIRST HALF IN INVESTMENT MARKET

With total investment of around 430 m €, the Cologne market turned in a very good first-half performance, although the result fell well short of the outstanding prior-year total (almost 868 m €) and was also slightly below the 10-year average. However, this decline was due not to any reduction in demand but simply to the shortage of supply, particularly in the large-unit segment. Cologne thus shares the fate of all the other German locations. Whereas in the same period last year, deals of over 100 m € generated 510 m €, this year has so far brought no sales at all of this magnitude. But turnover in the size classes up to 100 m € not only exceeded the prior-year total by 20 %, it in fact represented the best result of the past eight years. That shows that demand is fundamentally very buoyant. 90 % of all investment comprised single deals. The average volume per sale was 14 m €, which was much lower than in the corresponding period in 2015 (22 m €).

DEMAND COVERS ALL SIZE CLASSES

Due to the lack of large deals, the distribution of the transaction volume across the different size classes is considerably more balanced than it was last year. A particularly substantial contribution to turnover has been made by mid-range sales of between 25 and 100 m €. Up to now, these have accounted for 62 % of the total, as compared with the almost negligible share of 10 % they posted in the prior-year period. In absolute terms, investment in assets in this segment has actually more than tripled year-on-year. The relative significance of deals up to 25 m € has also increased quite considerably, to 38 %, although they actually attracted a somewhat lower investment volume than before.

RETAIL LOWER, OFFICE OUTSTANDING

For the fifth time in succession, office buildings have been the most important asset class in the Cologne market, securing more than three-quarters of all investment – the first time since 2007 that the distribution has been so one-sided. The share produced by retail properties fell by all of 35 percentage points to just under 6 %. The logistics segment has maintained its – admittedly low – contribution of 3 %. Hotels have enjoyed a remarkable rise in turnover: fuelled by the sale of the Holiday Inn Express in downtown Cologne, they generated 10 %, as against under 1 % in the prior-year period.
**SUBCENTRES LIFT THEIR SHARE**

Just like virtually always in the past decade, the City Centre produced the largest slice of turnover. At slightly under 41%, this was, however, almost 22 percentage points below the 10-year average; what is notable, though, is that at the end of the first quarter of this year, the figure was still under 4%, but in the second quarter, more than 60% of all deals were concluded in the City Centre. The share obtained by the Centre Fringe has fallen year-on-year by more than 5 percentage points, but at 33% is still well above the 10-year average (around 16%). The relative losses of the two main geographical areas have resulted in an increase of nearly 17 percentage points in the share obtained by the subcentres, to give them 26% at the six-month point, their best half-year result since 2012.

**LISTED REAL ESTATE COMPANIES/REITs LEAD FIELD**

The buyer-class spread of investment has undergone some shifts compared with the prior-year period and is now rather more broadly based. As before, though, the ranking was headed by listed real estate companies/REITs, with 24% (-8 percentage points). Next came insurances – which had hardly put in an appearance at all in the first half of 2015 – and private investors, each with shares of around 15%, followed by equity/real estate funds with almost 14% (+9 percentage points). At 32%, the proportion of foreign capital is on a par with the 10-year average and just below the nationwide mean (35%). Here, the contribution made by listed real estate companies/REITs (93%) was particularly high.

**YIELDS REMAIN AT RECORD LOW**

In the first half of 2016, the trend towards a fall in yields was largely sustained. The net prime yield for offices now stands at 4.30%, 15 basis points lower than at the end of last year. In the same period, the yield for retail/office properties eased by 10 basis points to 3.70%. This gives Cologne fourth place among the Big Six, ahead of Düsseldorf and Frankfurt (each: 3.75%). The logistics yield has stabilised at 5.25%, which puts it on a level with Hamburg, Frankfurt and Düsseldorf.

**OUTLOOK**

Following the record year of 2015, with a volume of close to 2.2 bn €, Cologne registered a respectable performance in the first half of this year, with investment just slightly below the long-term average. In the year as a whole, the favourable economic climate and the notable pressure of demand in the investment market can help to produce a pleasing result. A full-year transaction volume well over 1.0 bn € appears realistic, with the second half of any year traditionally being stronger. But whether this threshold can in fact be passed will ultimately depend on the scale of sales of large-unit assets.